



TESTIMONY BEFORE THE IOWA HEALTH AND HUMAN SERVICES
Appropriation Subcommittee

February 13, 2008

Good morning. My name is Anne Gruenewald and I am the Executive Director of Four Oaks Family and Children's Services. I am very pleased to speak with you today representing Iowa KidsNet. I want to thank the Committee for the invitation to speak to you today on the topic of performance based contracting.

Iowa KidsNet a statewide partnership of six experienced, credentialed nonprofit organizations: Four Oaks (administrative office in Cedar Rapids), Boys and Girls Home and Family Services (Sioux City), Children's Square U.S.A./Child Connect (Council Bluffs), Family Resources (Davenport), Lutheran Services in Iowa (Des Moines) and Quakerdale (New Providence).

The partnership was formed in the fall of 2006 in response to the State of Iowa's vision for performance based contracts for child welfare, juvenile justice and mental health services. The goal of Iowa KidsNet is to bring together the experience, service array and community support of all these agencies to accept the challenges and solve problems identified by state agencies.

In January 2007, the Department of Human Services established a statewide contract for the Recruitment and Retention of Resource Families with Four Oaks, on behalf of all the partner agencies in Iowa KidsNet. Additional subcontract agencies that are involved on this project include American Home Finding Association, Avalon Center, Children and Families of Iowa, Young House Family Services and Youth and Shelter Services.

A snapshot of selected facts from the end of the first year of this contract is:

- 2,959 – Number of phone calls Iowa KidsNet customer service handled in December
- 2,380 – Inquiries from prospective families during 2007
- 2,038 – Planned requests for placement matches from April to November. 96.35% were completed.
- 1,487 – Urgent requests for placement matches from April to November. 99.9% were completed and 76.7% were completed within a two-hour window.
- 500 – Number of families currently signed up for Iowa KidsNet email alerts that started in 2007. These alerts let them know when a new child available for adoption is listed on the website. 115 families are signed up for similar alerts through text messages.

- 200 – Foster care and adoption stories appeared in over 200 newspaper, radio and television spots, and over 120 billboards are up around the state.
- 39 – Number of new children listed on our website (www.iowakidsnet.com) as available for adoption. Of those, 29 have been placed in pre-adoptive homes.

In October 2007, several of the Iowa KidsNet agencies also were awarded and implemented the new Safety Plan and Safety, Risk and Permanency DHS contracts.

As a result of the first year experience with both of these contracts, and in anticipation of future performance based contracts, Iowa KidsNet retained expert consultation from Charlotte McCullough. Ms. McCullough has been reviewing the efforts and results achieved to date under both contracts, including gathering critical feedback from DHS officials and other key stakeholders, for the purpose of recommending changes to both the private and public agency partners on ways to streamline and improve performance and satisfaction.

Charlotte is with me today as a result of a local forum convened by Representative Foege in January. As co-chair, Ro suggested that there would be a value in beginning to evaluate these contracts using an outside expert who could share findings and recommendations with this committee.

To that end, I would like to turn over this presentation to Charlotte, so that she can share with you her recommendations for performance based contracting in Iowa – based on her national experience with public and private agencies in many states across the country who are engaged in this work.

Respectfully,

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By

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I want to thank the Committee for allowing me to testify today. My name is Charlotte McCullough and for nearly fourteen years I served as a member of the senior management team at the Child Welfare League of America (CWLA), the oldest and largest association of public and private child welfare agencies in the country. The Iowa Department of Human Services (the department) and many of your private child serving agencies are CWLA members. While at CWLA I provided consultation and technical assistance to public and private agencies in virtually all states and headed national initiatives related to child welfare reform, mental health and substance abuse. For the last five years at CWLA I led a national effort to track and report state efforts to change contracting practices to get better results for children and families.

Since leaving CWLA in 2000, I have been an independent consultant working with federal, state, and local public agencies, private child-serving agencies, universities, state legislative committees, and advocacy organizations. I have had the privilege of working in Iowa on a number of occasions. In response your legislative directive in 2003, I worked with the Department in planning the *Better Results for Kids* initiative and in 2004-2005, I helped the State prepare Title IV-E waiver applications for subsidized guardianship and group care. I have presented at Iowa Coalition conferences on several occasions and I am currently providing consultation to Iowa KidsNet partners to help them assess what worked and what didn't in the first year of their Safety and Permanency, and Recruitment and Retention contracts with the Department.

From research findings and a decade of personal experience helping public and private agencies design and implement new contracting arrangements, I believe there are lessons learned that can help inform discussions about Iowa's current and future performance-based contracting efforts. In the next few minutes, I will summarize national trends and key findings from other states that are using performance based contracts. I will end my remarks with several specific recommendations for Iowa.

The Context for Contract Reform

For the past decade there has been a sustained effort in many states to proactively identify and remedy problems in the child welfare system. A driving force was the passage of the Adoption and Safe Families Act in 1997 which called for greater accountability that led to programmatic and procurement restructuring. The subsequent federal Child and Family Services Reviews provided additional impetus for state reform efforts. When the dust settled after the first round of 50-state reviews, no state had passed the review. State legislatures and public administrators embarked on ambitious improvement efforts—including Iowa with the *Better Results for Kids* initiative. And, like Iowa, all States are once again in planning mode to prepare for the second round of reviews.

Program improvement efforts have been multi-faceted. Some states made changes in how they manage the "front-door" to the child welfare system by diverting low-risk families from the formal system. Many states reduced caseloads for public caseworkers, improved training, enhanced supervision, and even embarked on national accreditation to ensure consistent quality. Others focused on practice-level improvements such as family conferencing to improve planning for child safety, permanency and well-being. Over half of the states also began to look differently at how they contracted for services.

The Performance-based Contracting Trend

State and local governments spend over \$275 billion in contracts; the federal government another \$200 billion. The lives of millions of ordinary citizens are touched everyday by publicly funded services that are provided or managed by private agencies. Despite that, until very recently little attention was given to how public agencies engaged in procurement or contract management. Dry and arcane contracting issues operated beneath the surface rarely capturing the attention of policymakers.

In child welfare, state and local governments have paid private, voluntary agencies to provide child welfare services since the early 1800s. Today, public child welfare agencies could not offer a full array of services without the private sector. Until the mid-1990s, most public child welfare agencies used noncompetitive, quasi-grant arrangements to purchase services from private, typically nonprofit, agencies. Since that time, practice, policy, and fiscal considerations have set the stage for the emergence of a variety of new types of contractual relationships, many of them competitive and performance-based. In contrast to earlier contracts in which private agencies simply agreed to serve a certain number of children or families in return for payment based upon a pre-determined rate, current contracts often include performance targets and fiscal incentives or disincentives based upon the contractor's performance.

By the late 1990s some states had legislative mandates for performance-based contracts for all purchased services. Where the federal procurement guidelines for performance based contracts identify specific steps in the performance based contracting process, state and local child welfare administrators have taken many different paths to the development and management of their service contracts and contracts from one jurisdiction to another differ in significant ways.

"Never tell people how to do things. Tell them what you want to achieve and they will surprise you with their ingenuity."

General George Patton

Individual contracts often focus on a subset of the child welfare population; however, many states have multiple types of contracts, each targeting a different population or set of services. Therefore, the scope and payment approach may vary across contracts within the same state and within a particular contract over time. Selection of a service and a target population depends on the overarching goals. As illustrated in the following examples, states often have explicit assumptions about how the contracts will address fiscal or programmatic challenges associated with specific target populations:

- ◆ *Children with complex clinical needs who are placed in therapeutic or residential care.* The goals of these contracts are to step children down to less intensive levels of care or services and/or to achieve more timely permanency. Generally, money saved by preventing or shortening high-cost placements is not used to reduce child welfare spending; instead, it is used to enhance services, serve more children, or improve the system's capacity in another way. *This was the focus of Iowa's Safe at Home Title IV-E waiver.*
- ◆ *Children and families without findings of abuse or neglect or with low risk levels.* In some states, the contract is intended to enhance the "front-end" of the system in order to safely divert children and their families (before, during or following a protective service investigation). *In 2005, Iowa launched such a community diversion initiative. The department hoped that diverting low risk families would result in improved services for children and families, reducing the likelihood of subsequent*

and more serious allegations of abuse or neglect, while also lowering caseloads for public agency workers who retained case management for all other cases.

♦ *Children in traditional foster care.* Many states focused contracting efforts on the large number of children in traditional foster care who experience instability in their placements, fail to achieve permanency in a timely manner, and/or re-enter care. The performance-based foster care contracts in Illinois address these concerns, and focuses on the entire foster care caseload (excluding children in residential treatment centers and specialized foster care).¹

♦ *Children in need of adoption services:* Many states have successfully privatized case management and services for children with adoption as a permanency goal—with variation in the time the transfer of case management occurs (pre- or post termination of parental rights) and in the financing mechanism. Michigan was one of the earliest states to structure its payments to private agencies to reward timely achievement of finalized adoptions.

♦ *Children who are served by multiple systems:* These initiatives, often known as systems of care, emphasize collaboration across systems. The contracts often require blended funding streams in order to support coordinated services delivered by private providers.

♦ *Full child welfare caseload:* Two states (Kansas and Florida) chose to enter into contracts for all child welfare programs and services (excluding child protective investigations) to achieve system improvements and better outcomes for all children and families. By cutting across traditional programs, these states hope to achieve wide scale improvements in all safety, permanency, and well-being outcomes.

In Iowa, the *Better Results for Kids Initiative* calls for the state to move towards performance based contracts with all service providers. In addition to the community diversion contract, Iowa has already entered into regional performance based contracts for safety and permanency services and a statewide performance based contract for foster/adoptive home recruitment, training, licensing, matching and ongoing support.

In summary, there is great variation in the scope of current child welfare contracts in terms of geographic reach, target population, the number of clients served, specified outcomes, the roles of public and private agency staff, and payment methods. The performance measures, payment arrangements, and the means by which both are established and defined in contracts vary from one jurisdiction to another. The degree of competition for contract awards and the level of negotiation of final terms and conditions are also variable from state to state and from one type of contract to another.

Despite the significant variations in contract designs, there is a common thread that attempts to link improved performance to reimbursement amounts or payment schedules. Initially, critics of these results- or performance-based contracts raised concerns that the focus on fiscal incentives would undermine the attention given to child and family needs and outcomes. Studies are reporting that this does not appear to have happened. An integral part of these initiatives seems to be a push to do things better for the children and families served, or at least not to allow things to get worse for them when money is being saved.

¹ Under the Federally funded Quality Improvement Center on the Privatization of Child Welfare Services project, Illinois is implementing performance based contracts for both its residential care and its transitional living program caseloads, as described later.

What Are The Results & Promising Practices?

Two national surveys found that most child welfare contracts have been implemented to achieve three broad goals: (1) better outcomes for children and families; (2) attainment of system performance goals, including the expansion of services, increased flexibility, more local control, and cost effectiveness; and, (3) the alignment of fiscal and programmatic goals through fiscal risk-sharing and/or performance-based payment mechanisms².

Much of the available information on the efficacy and effectiveness of new performance-based contracting efforts in meeting goals comes from state reports and administrative data systems which have not been independently verified. The lack of rigorous evaluations makes it difficult with most initiatives to isolate the impact of a contracting effort from other reforms or new policies implemented simultaneously. Without an objective assessment, it is very difficult to know why some initiatives succeed and others fail. A few states have invested significant time and resources into sustained third party evaluations capturing data from the early stages of planning and transition and throughout each stage of implementation of the contract.³

Overall, research findings about the effectiveness in meeting specified child and family outcomes are mixed from one jurisdiction to another—often it takes time for contractors to achieve improvements and in some instances, gains in one area might be offset by losses in another. For example, agencies that perform best in reducing length of stay and achieving timely permanency may also have higher rates of re-entry. This was evident in the early years of Kansas' foster care contracts and in some community-based care jurisdictions in Florida.

In terms of cost savings, in some states, it appears that savings were achieved when case rates or performance based incentive contracts were implemented, and they were achieved without declines in safety or permanency outcomes. In a few states, contracts achieved improvements in all goal areas without an increase in expenditures (Illinois, for example). In other instances, Kansas for example, significant new investments were necessary to bail out foster care and adoption contractors who were at risk of insolvency.

For the next few minutes I want to highlight the results and promising practices from two states that have received significant national attention, Florida and Illinois. In both instances, using very different approaches, the states have achieved some if not all of the intended goals but not without some degree of unintended consequence.

Florida's Community-Based Lead Agency Contracts

In 1998 legislation was passed requiring the Department of Children and Families to contract out all child welfare services (with the exception of the child abuse hotline and investigations). The department's strategy for accomplishing this was to initiate a phased in approach that relied upon district (or county-wide) Invitations to Negotiate processes in which lead community-based care agencies (CBC) were selected. DCF now has 22 contracts—some representing single counties, and others multi-county areas.

² McCullough, C., Schmitt, B. (2003). *CWLA 2000-2001 Management Finance, and Contracting Survey Final report*. Washington, DC: Child Welfare League of America Press; and Westat & Chapin Hall Center for Children (2002). *State innovations in child welfare financing*. <http://aspe.hhs.gov/hsp/CW-financing03/report.pdf>.

³ It is beyond the scope of this testimony to fully explore the methodology and findings from the few states that have conducted relatively rigorous multi-year, multi-tiered evaluations. However, for examples of this work, the annual evaluations of Florida's CBC, produced by the University of South Florida are available at: <http://www.dcf.state.fl.us/publications/pubs.shtml>.

Each contract requires CBCs to meet targets for eight performance measures that are consistent with the CFSR measures and ASFA mandates. Florida is one of only a few states that has undertaken a rigorous, multi-faceted ongoing evaluation covering all aspects of planning and all stages of implementation. Findings have consistently noted variability in performance across CBC sites. As of May 2007, none of the CBCs were meeting all eight benchmarks. In general, CBC agencies that had been operational longer did better than those still going through early transition. Equitable funding across sites continues to be an issue.

The Florida legislature periodically requests special studies in addition to the ongoing independent evaluation. One of the more recent was a 2006 study by the Office of Program Policy Analysis and Government Accountability (OPPAGA) which compared performance from FY1998-99 (the last year before CBC contracts) to FY2004-05 (the first year that all contracts were in place). The findings were mixed:

- The number of children who exit foster care within 12 months increased by 24%.
- The number of children reunited with families within 12 months increased by 20%.
- Caseloads and vacancy rates decreased by one-third
- The number of adoptions finalized has more than doubled. (Florida received the highest adoption incentive bonus in the nation)
- Visitation was at an all time high with over 97% of children and families having face-to-face contact with caseworkers each month.

The OPPAGA report also revealed an increase in the percentage of children who experienced re-abuse over the past six years. It found that 11 percent of children were victims of re-abuse in 2004-05, compared with 8 percent in 1998-99. It concluded however that the increase was attributable in part to changes in State reporting laws that occurred at the same time as CBC implementation.
(www.oppaga.state.fl.us/reports/pdf/0650rpt.pdf)

Promising Approaches: Florida has implemented several strategies that are generally praised and replicated by other states:

- *The Florida approach to contracting—with a clearly defined start-up contract and a public-private readiness assessment process prior to the start of the service contracts—has evolved over time and worked well.*
- *The second innovation was the creation of legislatively mandated Community Alliances to plan for the transition and to serve as an ongoing oversight body—holding both contractors and the department accountable for results.*
- *Another positive development is a huge improvement in real-time data collection. A very comprehensive data "DashBoard" provides real-time information about all performance-based expectations for child welfare (dcfdashboard.dcf.state.fl.us). The Dashboard displays over 200 performance measures, so the public can view the most recent and accurate data compiled about adoptions, missing children, abuse investigations, and substance abuse treatment outcomes among others. Concerned citizens can now monitor how well the State is meeting federal and State mandates. Iowa has also developed a performance dashboard which will likely have greater capacity in the future.*

The Illinois Model of Performance-based Contracts

The Illinois Department of Children and Families implemented a multi-faceted approach to reducing the number of children who require foster care and to ensuring that all children in care achieved more timely permanency. During the mid-1990s, Illinois reported that 17.1 out of every 1,000 children in the state were living in foster care, the highest rate in the nation. The state converted its existing foster care contracts to reward performance and simultaneously implemented a number of other reforms (including securing three title IV-E waivers and becoming nationally accredited).

Since the implementation of performance contracting, the dramatic increase of children moving to permanency has been nothing less than stunning. At its height in fiscal year 1997, 51,331 Illinois children were living in foster care. Because of an increased emphasis on early intervention and performance-based contracts, that number has declined to 16,157 children in April 2007—a 67 percent decline compared to June 1998. A byproduct of the dramatic caseload reduction was that there were not enough referrals to meet the contracted intake obligations of performance contracts, especially in downstate Illinois. The department made referrals based upon performance and many foster care agencies fell by the wayside.

Promising Approach: Perhaps as important as the results, Illinois is also a model for the process it used to develop the original foster care contracts and more recently the development of performance-based contracts for group care, independent and transitional living services (ILO.TLP). In planning for the expansion of performance-based contracts from foster care to independent living, transitional living, and residential care through a demonstration project, Illinois significantly expanded stakeholder involvement through its Child Welfare Advisory Committee (see textbox). Workgroups held over 75 meetings to work on the design during the first year of contract development. They performed the following tasks:

Analyzed the service delivery in residential and ILO/TLP programs;

- Reviewed available data and research pertaining to these programs;
- Identified evidence informed practices;
- Determined gaps in existing data, and future needs for data

Illinois Child Welfare Advisory Committee

Following a gubernatorial directive, the Department established by administrative rule the Child Welfare Advisory Committee (CWAC) in 1995. The purpose of CWAC is to advise the Department on programmatic and budgetary matters related to the provision or purchase of child welfare services (CWAC, 1995).

In 1997, a Foster Care Infrastructure Work Group was implemented under the auspices of CWAC. This workgroup, comprised of non-profit foster care provider agencies with Purchase of Service (POS) contracts with the Department, was responsible for crafting, proposing and implementing strategies for improving system performance (McEwen, 2006).

The CWAC was enlisted in 2007 to use its Subcommittees and Workgroups to design and develop proposed performance outcome measures, fiscal incentives, and risk adjustment strategies for inclusion in performance-based contracts for residential care, independent living, and transitional living programs

collection;

- Engaged national and local experts to provide technical assistance;
- Discussed performance indicators and the data used to measure them;
- Reached consensus on the proposed performance indicators;
- Developed fiscal incentives for implementation 2008-2009 ; and
- Developed a preliminary risk adjustment model

Rather than issuing a competitive Request for Proposal for agencies to participate in the demonstration project, Illinois simply added contract addenda containing the new performance measures and payment provisions to existing residential and ILO/TLP contracts. Providers agreed to cooperate in all data collection, evaluation and training efforts. The Project Steering Committee, the CWAC Subcommittees and Workgroups meet monthly to evaluate performance data. Modifications, if any are necessary, will be incorporated into state fiscal year 2008-2009 contracts.

National Projects to Assess Effectiveness of Performance-Based Contracting

The Children's Bureau in the federal Department of Health and Human Services has designed a five-year project to further study the effectiveness of performance-based contracting of child welfare services. The Quality Improvement Center on the Privatization of Child Welfare Services (QIC PCW) at the University of Kentucky serves as a resource for information on child welfare contracting. Through a competitive application process, the QIC PCW selected three performance-based contracting projects for funding for January 1, 2007 through September 30, 2010:

- *Florida's* Department of Children and Families (DCF) District 13 will demonstrate that a comprehensive planning process leading to the development of performance-based contracts and performance measures in the quality assurance process leads to improved outcomes for children in out-of-home care.
- The Illinois Department of Children and Family Services, partnering with the Child Care Association of Illinois, will design, implement and evaluate the extension of the state's existing performance-based contracting and quality assurance system to residential, independent living and transitional living programs in order to improve outcomes for this population of youth.
- Missouri's Children's Division is partnering with seven private agency consortiums to examine the long-term supports and quality assurance processes needed to successfully implement a performance-based contracting system for case management services for out-of home care and adoption.

Success Factors & Lessons Learned Across Jurisdictions

We are just beginning to know what we know and what we don't know about why some efforts succeed and others fail or fade away. Factors related to a successful procurement seem to include the following:

- *A sound approach to planning* – Creating an infrastructure and conducting sufficient planning before procurement is vital. To the degree allowable under procurement rules, a broad-based group of stakeholders should be engaged in setting goals, defining performance measures, and other design elements of the contracts. (It is beyond the scope of this testimony to begin to capture the complex and inter-related

decisions that must be made in developing the fiscal and programmatic elements that will be included in a contract. Fortunately, there are useful planning tools and published guides for public agencies to adapt and follow, as referenced below.⁴⁾

- *Internal management systems and qualified staff* – Public agencies should not under-estimate the time and effort it takes to manage a procurement that ends in a good contract or what it takes to implement an effective approach to oversight and monitoring. Too often solicitation tasks are assigned to staff with other duties and no particular skill in translating their knowledge of child welfare into effective solicitation documents. Given the dollars spent in contracted services, it is essential that states devote adequate resources into hiring procurement and monitoring staff with the skill-sets needed to ensure quality and accountability in all contractual relationships.
- *Partnership and teamwork* – A number of different individuals and organizations may need to be engaged at various stages in the procurement process—including contractors, the department's program staff, the procurement and contracts staff, advocates, children and families, and department management. Trust, open communication, and strong leadership are often mentioned as essential in getting from an idea to a finalized contract.

States considering a new contract or the revision of a current one can benefit from anecdotal reports of lessons learned by both public and private agency administrators. The following peer-to-peer advice comes from a range of states that have implemented both small and large scale initiatives.⁵

1. Build a real partnership with the private sector to accumulate the political clout needed for hard times.
2. Get "buy in" from all levels of the public agency staff and across all stakeholder groups for the proposed change—including the legislature, the courts, advocates, and caregivers. Success requires mutual understanding and agreement about the goals and direction of the project.
3. Make sure there is clarity in public and private roles/responsibilities. Ongoing cross-training and problem-solving mechanisms help to resolve issues related to role confusion.
4. Require accreditation as an added protection for quality.
5. Understand the importance of data accuracy, accessibility, and integrity. Projects can and have failed due to inadequate attention to the need for real-time data to guide case level decisions and support quality improvement efforts.
6. Establish a limited number of realistic, meaningful, and measurable outcomes and performance targets. Contracting changes that are intended to achieve improved results begin with a thorough understanding of which outcomes, out of many possibilities, should be used. Specifically, this determination involves an assessment of which outcomes are realistic given the funding and other design decisions.

⁴ McCullough, C. and Lee, Elizabeth (2007). *Program and Fiscal Design Elements in Child Welfare Privatization*. Issue paper prepared by Planning and Learning Technologies, Inc. in partnership with The Urban Institute for the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, under contract HHSP233200600242U.

⁵ McCullough, C. (2005) *Child welfare privatization: Synthesis of research & framework for decision makers*. Unpublished report prepared for the Arizona Department of Economic Security

7. Clearly define any linkage between incentives/penalties and the outcomes/results desired. Make sure you have information technology and quality assurance capacity to monitor both costs and outcomes.
8. Use actual cost data rather than "guesstimates" in pricing and setting rates and have a periodic process for re-assessing overall funding and rates based upon actual experience. In addition, states must plan for and ensure adequate upfront resources to handle the transition and implementation process.
9. Take care in developing the specifications and pricing to ensure a balance in expectations and resources and alignment with public and private agency roles and responsibilities.
10. Build capacity to effectively monitor contracts. It doesn't matter if the contract is performance-based if the public agency has inadequate capacity to monitor and enforce it. States need to plan and budget for the infrastructure to support contract procurement and management activities—all of which can be labor, information-and technology-intensive activities.
11. Take the time to negotiate flexible, fair, and enforceable contracts. Performance-based or not, all child welfare contracts should be written with clearly defined expectations regarding the services to be provided, to whom they will be provided, with what results, and at what cost. Ambiguities in procurement documents should be clarified through a careful contract negotiation process.
12. States must carefully weigh the potential benefits of competition in the procurement process against the potential loss of collaborative public-private planning of the contract design. If public agencies are not required to competitively procure services and the overall design of a new contract does not require the public agency to limit the number of contracts awarded, it may be far easier to engage in early and sustained dialogue with private providers—essentially collaborating in the design of all elements that will ultimately be included in a contract.

Iowa Specific Considerations & Recommendations

1. **Devote sufficient time and resources to plan any future contract.** As noted, research findings suggest that discussions between public and private agencies and other stakeholders are important in building consensus about the need for contract change and the goals of a new procurement. Furthermore, if an implicit or explicit goal of introducing a new or amending a current contract is to foster a stronger public-private partnership, private agencies should be involved in helping to shape the terms and conditions under which they will be expected to operate. To the extent allowed by procurement rules, a collaborative public-private planning process can ensure that consensus is reached on the broad goals and expectations of the procurement, paving the way for explicit, fairly negotiated, enforceable, outcome-based contracts.

Recommendation: In developing the proposed new approach to the purchase of group care services Iowa should consider a process similar to the one used in Illinois. The investment of time and resources required to support a collaborative public-private planning process would be more than offset by the end result—a shared vision and mutual understanding of how performance measures and performance-based incentives could stimulate desired results for the children requiring group care. When allowable by

procurement rules, Iowa might be able to simply amend current contracts with group care providers to include enforceable, clear performance requirements and incentive payments without the state (and private agencies) having to undergo a costly solicitation process. To engage in the type of sustained planning that occurred between the department and private agencies in Illinois, it is likely that Iowa procurement rules or laws might need to be reviewed or revised. Legislative support might be required.

If current rules cannot be changed to support a collaborative design process, Iowa might want to consider a demonstration or pilot test of a new approach to group care contracts prior to implementing sweeping changes. Pilot testing with a rigorous evaluation component allows all interested parties to determine whether the contract changes were viable for a particular service. It also helps the public agency identify the potential costs, benefits, and barriers of contracting the service on a larger scale. In some states, contracts for small demonstrations/pilots can be executed on a non-competitive basis. Knowledge gained from the pilot can then be used to develop a competitive RFP for expanded implementation.

2. **Provide opportunities for early and frequent public-private dialogue and use a phased in approach to implementation of every new contract.** There are predictable tensions during the early stages of any contract. It takes time to build the trust that is essential for effective teamwork. The first step in creating a strong partnership can occur during contract negotiations. For example, DHS might convene multiple meetings with awardees prior to finalization of contracts. At the initial meeting all terms of the solicitation and all aspects of the proposal might be reviewed and both sides might raise issues for discussion, clarification, or amendment. Depending upon the number and nature of issues raised, public-private workgroups might be created to resolve issues and propose alternative approaches/language changes for inclusion in the final contract. While a collaborative approach might extend the time required for a finalized contract, it also might result in fewer implementation challenges that are typical in the first year of a new contract and set the stage for ongoing dialogue and problem-solving.

Recommendation: DHS should ensure ongoing mechanisms for dialogue and problem-solving particularly in the early stages of implementation of any new contract. I applaud DHS for its recent efforts to engage with the Safety and Permanency contractors. This type of dialogue strengthens the public-private partnership, creates an opportunity to share lessons learned, and helps DHS identify and remedy contractual or other barriers that undermine best practice or the ability of the private agency to succeed.

Recommendation: Iowa should consider building in a "start-up" period for any new contract, allowing public and private agency staff time to plan for the transition before cases are referred and services are initiated. The two-phased contracting and "readiness assessment" approach used by Florida is a good working model that ensures that both public and private agencies are prepared for their new roles and responsibilities prior to implementation of a service contract. It is important to note that Iowa did have a start-up phase for both the recruitment/retention and safety/permanency contracts. It is my understanding that DHS plans to discuss the transition process with current contract agencies to determine whether additional time would have been helpful.

3. **Be patient! Results are not immediate.** Research findings across all states that have implemented new performance-based contracts reveal that the initial transition year is difficult. In statewide efforts, the results are often uneven from one locale to another and across program requirement areas. *When faced with performance that*

falls below expectations in the initial year of a contract, policymakers and administrators should not take this as evidence that the contracts are flawed or that anyone did anything wrong but rather as evidence that the change process presents challenges for both public and private agencies.

Most of the contracting models that have resulted in better outcomes for children and families took time before benefits were realized. Iowa's current recruitment and retention contract is a case in point. While the public agency staff and the private agency, KidsNet, experienced normal transition hurdles in the first year, both DHS and the private agency have taken and are planning steps to identify and remedy problems as they arise. The department's enhanced staffing for contract management and monitoring and the enhanced KidsNet QI staffing makes it more likely that a collaborative public-private QI approach can be implemented that will result in improved outcomes in future years.

Recommendation: Once contracts are in place, it is essential for all stakeholders to remain firm in their resolve to support the department and its private agency partners as they address inevitable transition challenges associated with any system change.

4. **Recognize that successful contracts are data-driven.** Data are needed to guide decisions about the structure, programmatic directions, and financing methods; to develop appropriate outcomes and benchmarks; to assess whether those outcomes/benchmarks are being met; and to make decisions regarding needed changes. Some of the transition difficulties under the recruitment and retention contract are directly attributable to the lack of accurate and timely data. DHS is currently working with Iowa KidsNet to address data challenges under the current recruitment and retention contract.

Recommendation: At the time a new contract is being considered it is critical for the department to assess the data needed for planning and for ongoing operations. With performance-based contracts, private agencies must have real-time access to information that enables them to perform under the contract and to drive their internal quality improvement efforts. The department should consider delaying the start of any new contract until data issues are resolved.

To the greatest extent possible, DHS and its contract agencies should share the same data system (rather than having private agencies create duplicative systems that increase the likelihood of errors). When real-time data access is not possible, DHS needs adequate resources to ensure timely, accurate, reports in a format that reduces wasteful time with duplicative re-entry.

5. **Have a realistic approach to defining what "success" means under any contract and plan for inevitable changes.** Decisions about performance measures and what the contractor would need to do be "successful" must be based on a realistic assessment of what can be achieved given the target population, the scope of the services, and the funding available. Planners must recognize that contracting does not remedy all systemic barriers—including but not limited to staffing shortages, inadequate service capacity, or lack of coordination across systems. It is also critical to plan for inevitable changes. It is not uncommon for contracts to change in size, scope, financial arrangements, performance expectations, or overall design due to changes in the State's overall priorities, changes in leadership, or natural evolution brought about by increased knowledge about what works and what is working less well.

Recommendation: At a minimum, during annual contract renewal discussions with private agencies, the department and private contractors should assess whether expectations or payment arrangements might need to be re-defined in light of lessons learned. Changing course or re-defining success is not evidence of failure to perform. It is simply an acknowledgment that public and private agencies have the capacity to learn from shared experiences and make changes when indicated.

6. **All contracting efforts should be integrated within the State's overall plan for improvement.** Iowa has a history of planning and launching multiple reform and system improvement efforts simultaneously—including internal re-structuring and new performance-based contracting efforts. With so much activity in so many critical child welfare, juvenile justice, and mental health areas, it is challenging but essential for the department to assess the impact each new effort may have on current and future improvement efforts and on current and planned performance-based contracts.

Recommendation: Prior to the launch of any new contract, the Department should have a plan for clearly communicating to all stakeholders how the pieces fit together to improve the lives of children and families. DHS' decision to delay the implementation of the group care contracts is further evidence of the Department's desire to support and learn from current contracting efforts and to engage in thoughtful planning prior to launching another performance-based contract.

7. **Ensure sufficient resources are allocated to support public-private quality assurance-improvement efforts.** One of the most important by-products of new contract arrangements has been a shared sense of accountability for results between public and private agencies. Finger-pointing diminishes as both parties join forces in sustained quality improvement efforts. States should not under-estimate the importance of developing and implementing public-private QA/QI plans.

Recommendation: It is critical for DHS to devote sufficient time and resources into planning monitoring and oversight activities in a manner that that will strengthen the public-private partnership. Independent evaluations can complement internal assessments and help to identify the factors that contribute to success.

In Closing...

State legislators with responsibility for child welfare system oversight are often on the front lines when the community demands change in child welfare and related service systems. You are positioned to play a unique role in ensuring an effective approach to identifying and implementing new child welfare practices, including contract reforms. I applaud your leadership in supporting child welfare improvement efforts and your commitment to Iowa's vulnerable children and families. As the State continues down the path of performance-based contracting, it is up to you to hold child welfare agency administrators and contract agencies accountable for results. It is also up to you to ensure that they have the resources they need to succeed.

I hope that my testimony helped to identify promising approaches from other states that might be adapted and replicated in Iowa. I thank you for the opportunity to speak with you today and I look forward to answering any questions you might have.